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SIPDIS

STATE FOR EB/ESC/TFS, S/CT, INL/C, IO/PHO, NEA/ARPI, EUR/PGI
TREASURY FOR JZARATE, DGLASER, AND OFAC

E.O. 12958: N/A

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SUBJECT: MENA FATF ESTABLISHED TO COMBAT MONEY LAUNDERING
AND TERRORISM FINANCING

1. (U) SUMMARY: The inaugural meeting of the MENA FATF held on November 29 and 30 in Manama, Bahrain was attended by Ministers of Finance and Central Bank Governors from fourteen countries in the Middle East and North Africa. The ministers selected a President, Vice President and Executive Secretary, but postponed action on the work program until the first Plenary in March 2005. In discussing the MOU, a conflict over decision-making was resolved by increasing the size of a quorum to three quarters and requiring consensus of those in attendance at a Plenary for a decision. The US delegation led by Treasury A/S Zarate held bilateral meetings with 11 countries during the conference. Zarate also met with Bahraini Minister of Finance and National Economy Saif who discussed the establishment, in Bahrain, of a special court to try financial crimes cases. END SUMMARY.

2. (U) On November 29 and 30, in Manama, Bahrain, ministerial delegations from fourteen Middle East and North Africa nations attended the inaugural meeting of the Middle East and North Africa Financial Action Task Force (MENA FATF). (Note: FATF is an international body that sets standards and promotes best practices on anti-money laundering and combating the financing of terrorism (AML/CFT) issues. End note) The meeting was attended by the Minister of Finance and/or Central Bank Governor from Algeria, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, UAE, and Yemen. There were also observer delegations from Iraq, France, the GCC, the UK, IMF, World Bank, FATF, and a US delegation headed by Assistant Secretary of the Treasury, Juan Zarate. The US Delegation had representatives from Treasury, OFAC, FinCEN, FBI, State EB and INL, and Embassy Baghdad.

3. (U) The first day of the conference was a technical session during which attendees quickly agreed on the President, Vice President, and Executive Secretariat. However, there was intense debate on the MOU over how decisions for the body would be made. The discussion hinged on the word for "consensus" in the Arabic translation of the MOU that some parties argued be interpreted as "unanimous." The USG delegation was concerned that with this interpretation any party could passively block an initiative by not acting and thereby deny unanimity. After some wrangling, the group eventually agreed to a "consensus of all members attending the Plenary Meeting" and increased the necessary quorum from half to three-fourths of the total members. In later discussions, Sultan Bin Nasser Al Suwaidi, UAE Central Bank Governor, felt that the issue was not critical and predicted that the internal group pressure would keep the group from deviating from FATF principles.

4. (U) On the second day of the conference, the delegation heads from the attending member nations ratified the memorandum of understanding (MOU) to create the new body and establish the secretariat in Bahrain. This was followed by a press conference announcing the new organization's first President, Vice President and Executive Secretary. The group chose Dr. Muhammad Baasiri of Lebanon as the first President, and Mahmoud Abdel Latif of Egypt as the first Vice President to serve 1-year terms. Additionally, Adel Hamad Al Qulish of Saudi Arabia will act as the Executive Secretary for a four-year term. They also announced that the first plenary meeting would be held no later than the end of March 2005 in Lebanon. The only item not agreed upon, or even discussed at the meeting was the work program for the MENA FATF - this will be the primary discussion at the upcoming plenary.

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5. (U) During the two-day conference, the US delegation met with representatives from Syria, Jordan, Lebanon, Oman, Iraq, Kuwait, Egypt, Yemen, Qatar, UAE, Algeria, and Bahrain. They also held a trilateral meeting with Syria, Iraq and the United States. During the bilateral meetings, the US delegation addressed implementation of money laundering and terrorism financing regulations and inquired about the problem of cash couriers and how the countries were regulating this possible loophole. (Note: The meetings with Syria, Jordan, Kuwait, and UAE, are addressed in Septels. End note.)

Kudos to the Bahrainis

16. (U) On December 1, A/S Zarate and Charge met with Abdullah Hassan Saif, Minister of Finance and National Economy, and Sheikh Hamad Bin Khalifa Al Khalifa, the Governor of the Bahrain Monetary Agency. Zarate congratulated the Minister on the success of the MENA FATF inaugural and on his leadership in bringing about this new regional body. Saif felt the new organization was a vote of confidence for Bahrain,s efforts in AML/CFT issues.

17. (U) Saif also indicated that Bahrain was working to establish a special court to try financial crimes and that they had already sent some judges to training courses on financial crimes. When Zarate brought up new Section 311 authority created by the USA PATRIOT Act, Saif recommended that instead of using this unilateral tool the USG should provide countries with the necessary information and let them take steps to correct any problems. Specifically Saif said that they would take the action if there was any issue in Bahrain.

18. (U) Comment. MENA FATF is a significant development for the region. As a FATF styled regional body, it will promote best practices on AML/CFT issues, do mutual evaluations of its members against the FATF standards, and work with its members to comply with international standards and measures. The MENA region has been slow to loosen banking secrecy laws, adopt proper compliance systems, and is seen as a haven for terrorism financing. Therefore, the creation of the MENA FATF is critical for pushing the Middle East and North African region to improve the transparency and regulatory frameworks of their financial sectors. However, the real success of the MENA FATF will be if it can get its members to implement and enforce the new laws and regulations.

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